

Carma Developers Ltd. Annual Report



1978

Highlights

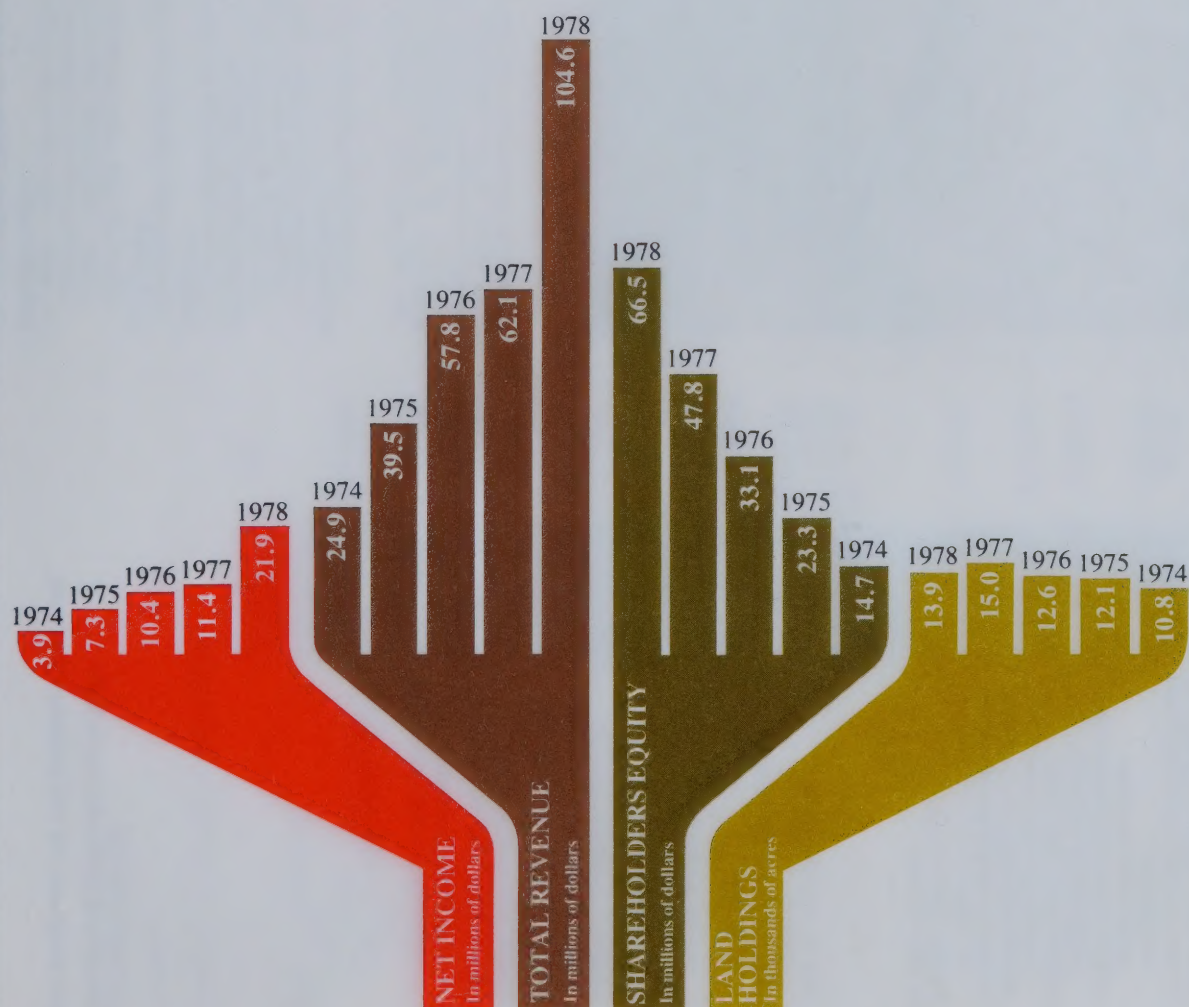
Financial

	1978	1977
Total revenue	\$104,620,000	\$62,100,000
Net income	\$ 21,949,000	\$11,410,000
Net income per common share	\$ 1.95	\$ 1.04*
Cash flow per common share	\$ 3.31	\$ 1.58*

* Restated to reflect the two-for-one share split effective November 21, 1978.

Operating

- Alberta Land Division accomplished new highs in lot production.
- Carma Developers (Washington), Inc. commenced development program in the greater Seattle market area. District office opened in Bellevue.
- Carma Developers (California) Inc. began subdivision development in the Sacramento market area.
- ICI Division acquired 75 per cent interest in large shopping centre, twin tower office complex, in Denver market area.
- Carma land bank consolidated and up-graded resulting in net decrease of 1,061 acres.



Highlights

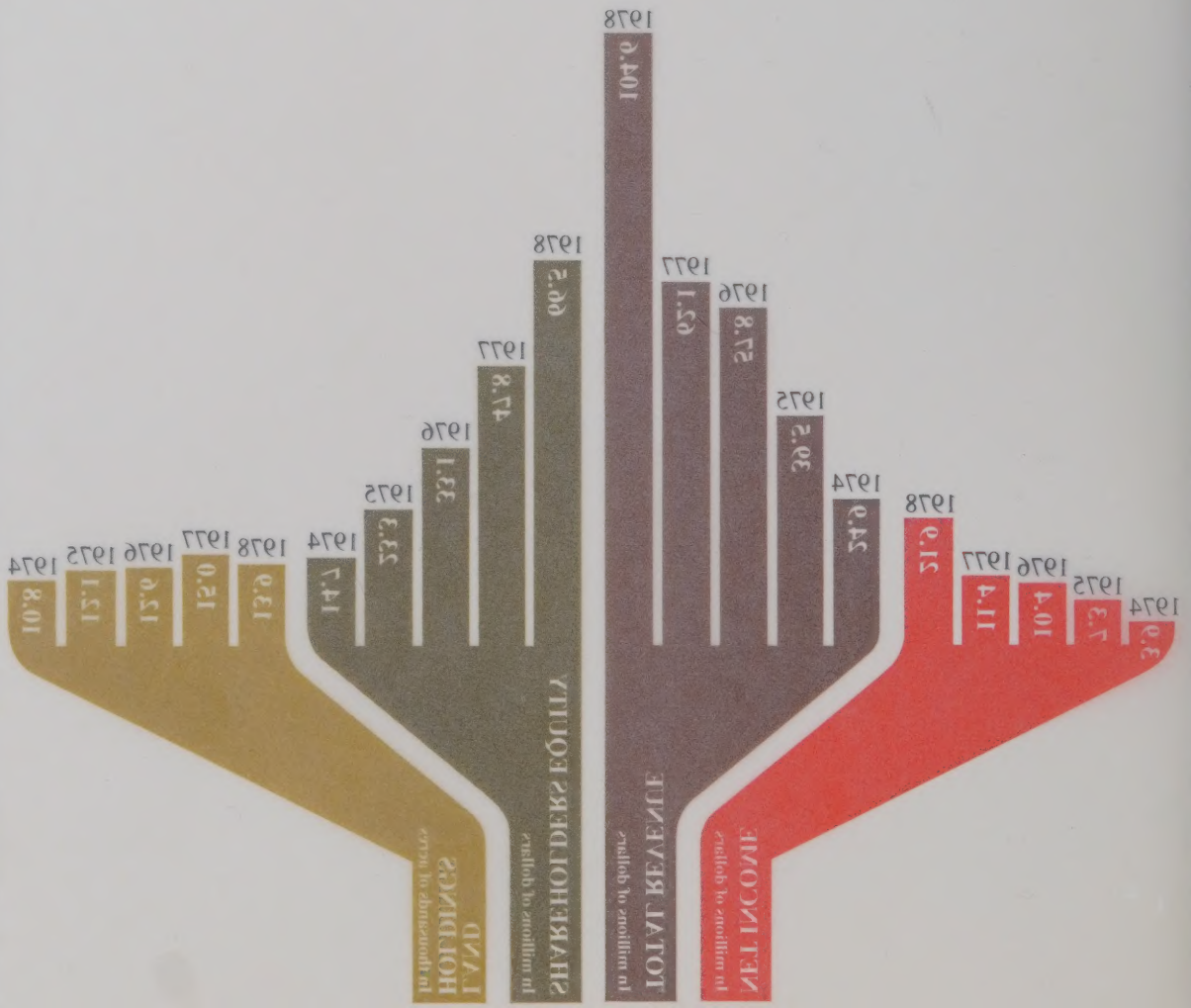
Financial

	1978	1977
Cash flow per common share	\$ 3.31	\$ 1.28*
Net income per common share	\$ 1.92	\$ 1.04*
Net income	\$ 21,949,000	\$ 11,410,000
Total revenue	\$ 104,620,000	\$ 62,100,000

* Restated to reflect the two-for-one share split effective November 21, 1978.

Operating

- Carma land bank consolidated and up-staged resulting in net decrease of 1,061 acres.
- ICI Division acquired 75 per cent interest in large shopping centre, twin tower office complex, in Denver market area.
- Carma Developers (California) Inc. began subdivision development in the Sacramento market area.
- Carma Developers (Washington) Inc. commenced development program in the greater Seattle market area.
- Carma Land Division accomplished new highs in lot production.



Carma Developers Ltd. and Subsidiary Companies
**Consolidated Statement of Changes
in Financial Position**
(Unaudited)

Six months ended June 30, 1978 and 1977

Cash was provided by:

	1978	1977
Operations		
Net income	\$ 3,811,000	\$ 3,781,000
Items not requiring the outlay of cash		
Depreciation and amortization	158,000	159,000
Deferred income taxes	(4,337,000)	(1,173,000)
Cash provided from operations ...	(388,000)	2,767,000
Increase (decrease) in bank indebtedness	4,105,000	3,241,000
Increase (decrease) in trade and other payables	(3,254,000)	5,388,000
Increase (decrease) in mortgage and agreement payable on rental properties	(200,000)	—
Increase (decrease) in income taxes payable	1,391,000	(7,080,000)
Increase (decrease) in term bank loans	—	(2,629,000)
Issue of Secured Debentures, Series B	19,000	15,000,000
Issue of common shares	1,693,000	86,000
	<u>16,773,000</u>	<u>16,773,000</u>

Cash was used for:

Increase (decrease) in receivables	(9,887,000)	3,278,000
Increase in marketable securities ..	1,614,000	—
Increase (decrease) in investment in land and utility costs	6,361,000	5,142,000
Increase (decrease) in land, buildings and equipment	(11,000)	(103,000)
Increase in rental properties and rental properties under construction	2,126,000	1,238,000
Increase in deferred financing costs	10,000	691,000
Redemption of Secured Debentures Series A	746,000	405,000
Redemption of Secured Debentures Series B	1,257,000	—
Redemption of Preferred Shares, Series A	62,000	879,000
Dividends paid	1,543,000	3,821,000
	<u>3,821,000</u>	<u>11,530,000</u>
	<u>\$ (2,128,000)</u>	<u>\$ 5,243,000</u>

Increase (decrease) in cash and deposit receipts

Head Office:
— 1700 Varsity Estates Dr. N.W., Calgary, Alberta T3B 2W9

Regional Offices:
— 10009 - 108th Street (5th Floor) Edmonton, Alberta T5J 3C5
— 36 Hess Street South, Hamilton, Ontario L8P 3N1
— 10453 - 137th Street, Surrey, B.C. V3T 5B1
— Suite 130, 908 Town & Country Blvd., Houston, Texas 77024

ICI Division:
— 20, 5720 Silver Springs Blvd. N.W., Calgary, Alberta T3B 4N7

Auditors:
— Winspear Higgins Stevenson & Co.

Transfer Agents and Registrar:
— Montreal Trust Company - Class A and B common shares
— The Canada Trust Company - Series A and B Debentures
— Guaranty Trust Company - Series A, First Preferred Shares

Shares Listed:
— Toronto Stock Exchange, Alberta Stock Exchange

Final approvals were received on July 4, 1978 and Carma is proceeding on its joint venture community of Woodlands in St. Albert. The Sturgeon River provides a picturesque background for Woodlands, a portion which is shown in the top, right hand corner of the photograph. The Carma community of Braeside lies between the extended tree belt and Woodlands



AR19

Carma
Developers Ltd.
Progress report to
shareholders for
six months ended
June 30, 1978

To the shareholders.

We are pleased to report a much improved second quarter performance which enabled first half net income to reach a level comparable to that recorded for the similar six month period of 1977.

Your company reported net income of \$3,811,000 or 65 cents per common share from total revenue of \$26,109,000 for the six months ended June 30, 1978. This compares with net earnings of \$3,781,000 or 69 cents per common share on total revenue of \$32,285,000 for the first half of 1977. The slight decrease in earnings per common share, despite higher first half net income, was due to the payment of dividends on the First Preferred Shares which were issued in late 1977.

Recorded sales of single family and duplex lots for the second quarter totalled 198, contributing \$6.5 million in revenues. Calgary, with 119 in Edgemont and 18 in Crowchild Ranch was the major centre of activity. Concord Colony in Houston added 45 single family lots to the total, Vancouver recorded 14 and Albion Estates in Hamilton the remaining two. \$4.4 million was obtained from the sale of "commercial, high-density and undeveloped acreage" for the three month period.

A strong second half performance is indicated following recently held lot draws in both Calgary and Edmonton. The Edmonton division held a combined lot draw on June 7th, offering 176 R1 and R2 lots in Fort Saskatchewan and 111 lots in Clareview. On July 12th, 213 single family lots were offered by the Calgary division in their joint venture community of The Woodlands (Carma's net — 106.5 lots). Both lot draws met strong builder-shareholder response and will contribute in excess of \$10 million to second half revenue totals. In addition, both divisions have major third quarter lot draws scheduled in an attempt to partially satisfy the continuing Alberta demand.

Your company's United States operations have been re-structured and expanded. A wholly owned subsidiary, Carma Developers, Inc., was formed in February, 1978. In turn, two new wholly owned subsidiaries of Carma Developers, Inc. were incorporated in May, 1978 — Carma Developers (California) Inc. and Carma Developers (Washington), Inc. Carma Developers (Texas) Inc., incorporated in 1977, is also a wholly owned subsidiary of Carma Developers, Inc.

Following incorporation, Carma Developers (California) Inc. entered into a conditional option agreement for the acquisition of 110 acres in the Sacramento area.

On May 17, 1978, Carma Developers (Washington), Inc. acquired land in the Seattle area for the development of 178 residential lots. Preliminary development approvals for this new Carma community — Sahalee Glen — have been obtained and the initial servicing of the lots is now in progress. The sale of serviced lots is expected to commence prior to year end, contributing to 1978 revenues. More recently, Carma (Washington) acquired land in the Tacoma market area. Land was purchased for the development of 100 lots, plus an option taken on a further 43 acres in the same area. The servicing and subsequent sale of the 100 lots — by early 1979 — will establish another new Carma community which will be known as Heather Hills.

Regular quarterly dividend payments of 12 cents to Class A and B common shareholders were made May 12, 1978. The next payment is scheduled for August 11th to shareholders of record as of July 31, 1978. During the first half, two scheduled quarterly dividend payments of 43.75 cents per share were made to shareholders of the 8 3/4% Cumulative Redeemable First Preferred Shares, Series A.

We again wish to emphasize the importance of the role played by all members of Carma's Divisional Advisory Boards. These individuals provide a broad base of knowledge and expertise which greatly assists management in the successful planning and implementation of company policies. Present members of the divisional advisory boards are:

Calgary:

Carl Cheverie, Ben Gross, Al Hill, Al MacLean, Mike Ross, Eck Spindler, Jim Wolfe.

Edmonton:

Eric Albrecht, Walter Braul, Art Fleck, Stan Hooper, Rudy Janzen, Dave Jenkins, Gerard Lemieux.

Hamilton:

Don Ennis, Gordon James, Rudy Janzen, Eric Johnson, Jay Robinson, Glyn Stanger.

Houston:

James Culp, George Eads, Dick Hansen, Rudy Janzen, Will Kennard, Rick Leland, Greg Martin.

Vancouver:

Doug Bigelow, Larry Bourne, Eugene Harder, Vic Hoing, Peter Hyndman, Mitts Sakai, Vern Sparks.

ICI Division:

Lorne Braithwaite, Joe Finocchio, Ken Ford, Peter Hyndman, John Shields, Scott Taylor, Barry Wong.

Howard Ross, Chairman of the Board; Joe Combe, Vice-Chairman of the Board and Chief Executive Officer; and Roy Wilson, President, are voting members of all advisory boards.

Roy Wilson, President.

Carma Developers Ltd. and Subsidiary Companies Consolidated Statement of Income

(Unaudited)

Six months ended June 30, 1978 and 1977

	1978	1977
Revenue		
Sale of residential land	\$ 14,327,000	\$ 23,244,000
Sale of commercial, high density and undeveloped acreage	9,344,000	7,306,000
Interest and other	2,116,000	1,735,000
Rental income	322,000	—
Total revenue	26,109,000	32,285,000
Expenses		
Cost of residential land sold	9,547,000	17,284,000
Cost of commercial, high density and undeveloped acreage sold	5,366,000	4,650,000
I.C.I. operating	144,000	—
Administrative and general	1,707,000	1,535,000
Interest	2,080,000	1,574,000
Depreciation and amortization ..	158,000	159,000
Total expenses	19,002,000	25,202,000
Net income before income taxes	7,107,000	7,083,000
Income taxes	3,296,000	3,302,000
Net income	\$ 3,811,000	\$ 3,781,000
Average number of common shares outstanding	5,522,773	5,498,055
Net income per common share (after Preferred Dividends)	\$0.65	\$0.69
Cash flow per common share	\$ (0.07)	\$0.50

No Dilution Full Dilution

No Dilution Full Dilution



VANCOUVER

EDMONTON

SEATTLE

CALGARY

SACRAMENTO

DENVER

HOUSTON

HAMILTON

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Builder - Shareholders	INSIDE BACK COVER

Offices

Head Office:

Calgary, Alberta
1700 Varsity Estates Dr. N.W. T3B 2W9
Phone (403) 286-3331

Regional Offices:

Edmonton, Alberta
5th Floor, Victoria Place, 10009 - 108 Street T5J 3C5
Phone (403) 425-0250

Hamilton, Ontario
Suite 712, 105 Main Street East L8N 1G6
Phone (416) 529-3650

Vancouver, British Columbia,
10453 - 137 Street, Surrey, B.C. V3T 5B1
Phone (604) 585-3121

Houston, Texas
Suite 120, 901 Threadneedle, Houston, Texas 77079
Phone (713) 496-5320

Seattle, Washington
305 - 108 Avenue, N.E. Bellevue 98004
Phone (206) 455-2942

U.S. West Coast
Suite 201, 10453 - 137 Street, Surrey, B.C. V3T 5B1
Phone (604) 585-3121

ICI Division

Calgary, Alberta
#20, 5720 Silver Springs Blvd. N.W. T3B 4N7
Phone (403) 286-3331

Edmonton, Alberta
5th Floor, Victoria Place, 10009 - 108 Street T5J 3C5
Phone (403) 425-0250

Subsidiary Companies:

The Company has the following wholly-owned subsidiary companies:

Carma Developers (Realty) Ltd., Carma Developers (Edmonton) Ltd., Vandevco Development Ltd., Sur-Del Builders Development Ltd. and Carma Developers, Inc. and its subsidiaries Carma Developers (Texas) Inc., Carma Developers (Washington), Inc. and Carma Developers (California) Inc.

Auditors:

Winspear Higgins Stevenson & Co.

Transfer Agents and Registrars:

Montreal Trust Company - Class A and B Common Shares, Series A and Series B Sinking Fund Debentures.

The Canada Trust Company - Series A and Series B Secured Debentures.

Guaranty Trust Company - First Preferred Shares, Series A.

Shares Listed:

Toronto Stock Exchange
Alberta Stock Exchange

Introduction

Carma Developers Ltd. is a Calgary based public development company. At December 30, 1978, the company conducted active operations in Calgary, Edmonton, Hamilton, Vancouver, Denver, Houston, Sacramento and Seattle.

Carma is primarily engaged in the acquisition, assembly, subdivision and development of land to produce fully-serviced residential and commercial building lots for its primary customers (builder-shareholders) and the development, ownership and management of rental properties. Prior to 1972, Carma as a private company, conducted business in the City of Calgary only. In 1972, the Company was converted from a private to a public company and began an on going program of expansion and diversification.

The Industrial, Commercial and Investment Division was formed in 1975, to develop, manage and invest in rental properties. The initial thrust of the ICI Division was the establishment of community shopping centres in Carma subdivisions. Six such centres are presently in operation. The company also owns a 50 per cent interest in the 260 acre Deerfoot Business Centre in north Calgary. During the year, ICI acquired a 75 per cent interest in a large shopping centre and twin tower office complex in the metropolitan Denver area.

Carma's success and strength is partly attributable to its unique involvement with the participating builders. All builders who are a part of the Carma Group are shareholders in the company and maintain a percentage of the total shares available in each of the regional marketing pools in which they wish to operate. Individual marketing contracts between Carma and the builder-shareholders assures builders that they will be entitled to purchase a defined number of residential building lots developed by Carma in each division where the builder holds a marketing contract. The "A" marketing contract is in effect in

Calgary, Edmonton, Vancouver, Hamilton and Houston and a joint venture "B" marketing contract is available to the builders in the Calgary and Edmonton regions.

Local Advisory Boards of up to ten members, consisting of builder-shareholders, representatives from the local business community and senior Carma management, advise on all facets of the regional land operations. The ICI Division has its own advisory board to assist in the decision making and planning. Carma relies heavily on the local expertise which is provided through the advisory board system.

The Class "A" common and Class "B" common shares of Carma Developers Ltd. are traded on the Toronto and Alberta Stock Exchanges, and the First Preferred Shares, Series A are traded on the Toronto Stock Exchange.

Report to Shareholders

We are pleased to report that Carma Developers Ltd. has completed another successful year. 1978 proved to be a year of strong financial growth and corporate expansion.

Carma achieved an increase in net income to a record \$21,949,000, up from \$11,410,000 in 1977, and earnings per common share reached \$1.95 compared to \$1.04 in 1977, while revenues rose to \$104.6 million from \$62.1 million in the previous year.

Sales of low density residential lots (R1-R2) rose to 2,189 from the 1,350 recorded during 1977, with the major portion of the increase recorded in the Alberta operations.

When shareholder approval was received for a 2-for-1 split of the Class A and Class B common shares in November, the Board announced a 1979 dividend payment of 40 cents per share on the new share basis. Following the first quarterly payment of 10 cents per share in February, 1979, the Board announced that the second quarterly payment would be increased to 15 cents per Class A and Class B common share, payable May 11, 1979 to shareholders of record on April 30th.

While the maturing of Carma's existing markets provided the basis for a productive year, the company's expansion program was being intensified. Carma organized its United States operations through the incorporation of Carma Developers, Inc. as a U.S. parent company for its wholly owned subsidiaries, Carma Developers (Texas) Inc., Carma Developers (Washington), Inc. and Carma Developers (California) Inc. Following incorporation of the latter two companies, Carma proceeded with a land acquisition program in the Seattle, Washington and Sacramento, California market areas.

Three parcels of land, totalling 325 acres, were purchased or placed under option in the greater Seattle area. A Seattle Provisional Advisory Board was formed and held its initial meeting in October.

In Sacramento, Carma purchased two parcels of land totalling 177 acres, which are expected to provide in excess of 600 single family residential lots during 1979.

Carma Developers (Texas) Inc. increased its land bank by 216 acres in 1978 through the purchase of land in northwest Houston near the company's other extensive land holdings.

Important additions were also made to land holdings in established markets. The Vancouver Region's land holdings grew substantially with the largest purchase being an undivided one-half interest in 366 acres of land in the Port Moody district. Carma is the operator of the total project and will be responsible for the marketing of the projected 1,800 housing units.

Carma augmented its land holdings in the southeast sector of the City of Calgary by acquiring a one-half interest in 360 acres of undeveloped land in the Barlow sector - Glenmore Trail and 18th Street S.E. The first serviced lots are scheduled to be available to builders during 1980.

The ICI Division continued its planned program of growth. The 1978 strategy included an initial move into the United States commercial market. In December, Carma purchased a 75 per cent interest in the Marketplace complex, located on a 22 acre site in the metropolitan Denver area. Marketplace consists of a five building shopping centre of 207,000 leaseable square feet, and twin, 12 storey office towers, each containing 134,700 square feet of leaseable space.

Corporate organizational changes included an important policy decision which was implemented following the Annual Meeting in April, 1978.

The Board of Directors voted to rotate annually the position of Chairman of the Board to benefit from the experience of the many Directors who have contributed to Carma's success. Howard Ross, a Director since 1958, was elected Chairman for 1978. Tony Usselman, an original Carma Director, was named Chairman-Elect to succeed Howard Ross at the conclusion of his one-year term.

The expansion and growth of your company resulted in important senior managerial promotions and an increase in total staff during the past year.

R.H. Janzen was appointed Executive Vice-President, responsible for Carma's operations in Edmonton, Ontario and Texas. R.J. Owen was appointed Vice-President, Finance, and five Regional Managers were named — Carl Cheverie (Calgary), Ernie Hnatiuk (Vancouver), Rudy Koop (Edmonton), Rick Leland (Houston) and Bryan Winspear (U.S. West Coast).

Carma's growth and accomplishments have shown a steady increase over the past seven years, with each successive year seeing new highs in sales and income. The Company's policy is to strengthen its present areas of operations and to expand into new geographical areas when opportunities become available. Increased emphasis will be placed on the ownership and development of rental properties.

Carma is actively preparing for the future to ensure continued growth and success. High interest rates and continued inflation are contributing to a current decline in the demand for housing. Many markets are over-supplied and long sought approvals are coming at a time when demand has slackened. To compete, Carma must examine new marketing techniques, merchandising methods and product lines, and must develop its lands in an efficient manner to provide a price-competitive product.



*Howard Ross -
Chairman of the Board*

The strength of any Company lies in its people, and Carma's people are exceptional. We want to thank each and every employee, and each and every member of our many boards and committees, for the excellent job done in attaining the outstanding results for 1978. We are confident that the strong Carma team can establish records in 1979.

A handwritten signature in dark ink, appearing to read "C. J. Combe".

C. J. Combe,
*Vice-Chairman of the Board
Chief Executive Officer*

A handwritten signature in dark ink, appearing to read "Roy Wilson".

Roy Wilson,
President

Review — Land Division

Calgary, Alberta

The Calgary Division's sales revenue totalled \$49.5 million, with the sale of 849 single family and duplex lots providing 58 per cent of the total. Residential lot sales during 1978 exceeded each of the two previous years and maintained Carma's strong presence in the competitive Calgary development market.

Carma's Edgemont subdivision in the northwest quadrant produced 493 lots, the most recorded in any one Carma subdivision this year. Falconridge recorded sales of 146 lots, The Woodlands — 107 lots, Crowchild Ranch — 100 lots, and Dalhousie — 3 lots. Sales of multi-family sites were achieved in Crowchild Ranch and Falconridge. Options in Heritage Woods, a development containing 29 two-acre country estate lots, were exercised and became revenue in 1978.

Provincial annexation approvals in early 1978 partially clarified the likely future development patterns of Calgary. As a result, attention to prudent land bank management produced the sale of two parcels of undeveloped land, totalling approximately 1,000 acres, from Carma's extensive holdings in the Simon's Valley region of north Calgary. Since the lands

were located in the northern extremities of Carma's holdings, with a portion inside the Provincial Transportation and Utility Corridor, they were considered as having more long range than immediate development potential. However, Carma retains the right of first refusal to purchase some serviced lots at market price when the land is eventually developed.

As a result of the Provincial Government's decision on Calgary annexation proposals, the majority of the company's Calgary land bank is located within the recognized city boundaries, and is a valuable asset due to its development potential.

1978 saw continued growth in the Calgary regional operations. In conjunction with this growth, a regional restructuring occurred. Three districts — Calgary South, Northwest and Northeast — were instituted, with a district manager and project managers in each area. This reorganization will allow concentration by management to service the individual projects and the builder-shareholder participants.

Planned sales for the Calgary region during 1979 include lots in each of The Woodlands and Woodbine in the southwest, Falconridge in the northeast, Edgemont and Beddington Heights in the northwest and Strathcona in the west. Beddington Heights is of particular importance as the lot draw, for 500 lots, will mark the culmination of more than ten years of planning and negotiating for final development approval on these lands.

Edmonton, Alberta

The Edmonton Land Division experienced a remarkable year. Sales revenues exceeded \$42 million, nearly three times greater than the corresponding totals recorded in 1977, with 76 per cent of the total being derived from the sale of 1,162 R1-R2 lots.

The Crawford Plains subdivision in southeast Edmonton produced 487 lots, Clareview in the northeast contributed 299 lots, Pineview in Fort Saskatchewan 189

Head Office for Carma Developers Ltd. is located in Carma's Varsity Estates subdivision in northwest Calgary.





Neighbouring the scenic Fish Creek Provincial Park, Carma's Woodlands subdivision is situated in southwest Calgary.



Home construction in progress in Carma's Edgemont subdivision in northwest Calgary.

lots and Woodlands in St. Albert another 187 lots. Revenue from sales of commercial, high density and undeveloped acreage reached new levels, totalling \$10.3 million, with the Clareview community recording the sales of six multi-family sites for one-third of the total.

The district boundaries were redrawn during 1978 in an attempt to define management responsibilities for projects in Edmonton's many satellite communities. Three new districts were formed as follows: North District — to include St. Albert, East District — to include Fort Saskatchewan and the South District — to include Leduc.

Carma's application for the annexation of land holdings in northwest Edmonton to the City of Edmonton, was heard and reviewed by the Local Authorities Board late in 1978. To date a decision has not been handed down.

Carma is presently involved in the preparation of an overall Fort Saskatchewan Area Structure Plan which is in the final process of approval. It is expected that residential development will commence in 1979. Sales are also projected for the coming year in the Clareview, Woodlands and Riverbend subdivisions and Leduc.

Hamilton, Ontario

1978 showed improved sales in Hamilton as compared to 1977. Sale of land in the DeWitt Park area contributed nearly \$2 million to 1978 revenue. The effect of a new marketing program in Albion Estates, including the opening of a Carma organized and sponsored Home Show, was evident during the latter part of the year. Sales in



A meeting of the Architectural Committee concerning the development guidelines for the Woodlands project.

this soft market are expected to continue to improve in 1979.

Oakville and Mississauga, Ontario

The Carma lands in Oakville are proceeding through the required development approval process and a ruling by the Ontario Municipal Board has allowed development to proceed. The registration and servicing of Phase One — 23 acres — will commence in 1979, with the remaining 95 acres phased through 1980-81. Residential lots in the Mississauga community should be available by late 1979 as the project has proceeded to the Draft Plan Approval stage.

Vancouver, British Columbia

The development industry in British Columbia has been slow, unproductive and unprofitable in recent years. However, an improved employment picture and an increased provincial growth rate indicate a strengthening in the demand for residential accommodation. During the past year builders concentrated on selling a relatively slow moving inventory and reported improved success during the latter part of 1978.

Carma sold a total of 69 residential lots, the last of its inventory, and is prepared to meet the 1979 demands of a more optimistic builder group. Sales were recorded in the following marketing pools: Maple Ridge — 30 lots, Vancouver Centre — 21 lots and Sur-Del — 18 lots.

In 1979, building lots will be available in seven new Carma communities. In the Vancouver Centre Marketing Pool, Bonavista, The Williams Road property and Tiffany Estates will be a vital part of the marketing program. The Tiffany joint venture is the largest project and is expected to provide a total of 361 housing units within the next two years. The Orchard, a Maple Ridge community, will produce 69 single family lots and sales should also be obtained from the Guildford and Sunshine Woods subdivisions in the Sur-Del Marketing Pool. Sunshine Woods is scheduled to provide 100 lots in 1979, as



*Early 1978 lot servicing
in Carma's scenic
St. Albert subdivision,
Woodlands, near
Edmonton.*



*Carma Directors,
Management and Civic
Officials officially
launched the Clareview
Home Parade in
November, 1978, in
Edmonton.*

part of an expected 350 lot program spread over the coming three years. Guildford will offer both standard single family and compact lots to be marketed in a three year period from 1979 to 1981.

The 1978 highlight of Carma's Vancouver operations was the completion of an agreement for the joint development of 366 acres in the City of Port Moody. Carma's involvement in this market will allow its builder-shareholders the opportunity to participate in one of the largest projects in the greater Vancouver market area. As operator of the project, Carma will be responsible for the marketing of the projected 1,800 residential units over a 5 to 7 year period. Servicing is advancing on the first phase — Mountain Meadows — and 53 serviced lots are ready for market. Prospects for 1979 and beyond are excellent as Carma will provide a wide selection of building lots to builder-shareholders and others.

Houston, Texas

In 1978, Carma solidified its position in the Houston market and re-examined its strategy for the future.

While early 1978 saw a relatively steady market, activity slowed during the latter half of the year in residential construction. This was due to rising interest rates in the United States — combined with legal interest rate ceilings in the State of Texas — a higher-than-average inflation rate and oversupply conditions. With the

decline in housing starts and stagnant inventory, builders held back on lot purchases. Sales of single family lots in Concord Colony during 1978 totalled 94.

Carma's confidence in the area continues and an additional 216 acres of prime land was acquired during 1978. Located in north-west Houston, it is in close proximity to the Company's other land holdings and the Copperfield community. Planning is underway to have lots ready in 1979.

Seattle, Washington

During the year Carma Developers (Washington), Inc. acquired control of 325 acres in three separate regions in the greater Seattle market area. Acquisitions were in the undeveloped land stage and no residential lots were available for sale in 1978.

Nevertheless, in the latter half of 1978, rapid progress took place. A district office was opened in Bellevue and a Provisional Advisory Board formed. Projects presently underway are Inglewood Glen — in the Sahalee area, Alderbrook — in the Federal Way area, and Heather Hills — in the southwest Puyallup area. Heather Hills and Inglewood Glen have received preliminary approval, while Alderbrook is scheduled for preliminary approval in March, 1979. The first lot sales from the Seattle District will be in Inglewood Glen, commencing in 1979.

Sacramento, California

Carma's initial entry into the California development market consisted of a land purchase involving 110 acres in Meadow Wood, located in the south Natomas area of Sacramento. Approvals were secured for 466 single family residential lots with 101 lots scheduled for sale during the first half of 1979 and a further 199 lots later in the year. Land was also acquired for the development of 191 single family lots in the American River Canyon subdivision, located immediately east of Sacramento in the City of Folsom. Servicing is presently underway and marketing will commence in 1979.

*Inglewood Glen,
Carma's initial Seattle
community.*





The new Recreational Centre built by Carma for residents of The Colonies.



An aerial view of the Chilcotin Country subdivision in the Maple Ridge area of greater Vancouver.



A busy opening day at the Albion Estates Parade of Homes in Hamilton.

Review — ICI Division

Deerfoot Business Centre

All necessary approvals were obtained in 1978 for the start of Phase One construction of Carma's Deerfoot Business Centre in north Calgary. This first phase occupies all of the lands lying north of 64 Avenue N.E. and comprises approximately one-half of the total 260 acre project. Underground servicing, curb, gutter and road construction began in June and were near completion by the winter of 1978.

The site is an especially attractive one, in close proximity to major roadways, rail service, the Calgary International Airport and major existing and future population centres. It is outside the congestion of the downtown core, yet is only minutes away via the Deerfoot Trail expressway.

To maximize the potential of this superior site, the Deerfoot Business Centre is being planned as a prestigious office park with exciting architectural appeal and thoughtfully designed amenities to attract the quality conscious tenant. A strong development team has been formed including market research experts, architects, engineers and planners. Plans for the first office complex are being prepared and if approvals are received on schedule, construction could begin by mid 1979. The visual impact of the first building

will verify the high standards to be maintained throughout the entire development.

Progress is also being made on the development of the south (Phase Two) portion of the project. Current proposals for this parcel include the possibility of a large regional shopping centre with related amenities.

Marketplace Complex

During the year, Carma acquired a 75 per cent interest in the 22 acre Marketplace complex in Aurora, Colorado. The City of Aurora is located in the southeastern sector of the Denver metropolitan market area and holds the distinction of being the fastest growing region in Colorado.

Though still under construction, Marketplace represents an important addition to Carma's portfolio of rental properties. It consists of a five building shopping centre with 207,000 net leasable square feet plus twin, 12 storey office towers containing 134,700 net square feet each. Completion of the total Marketplace complex is scheduled for September, 1979 and at year-end, the Shopping Centre portion was 80 per cent completed, Office Tower One was completed and Tower Two construction was up to the third floor. Leasing of the complex has proceeded at a satisfying pace. At the close of 1978, the Shopping Centre facilities were 60 per cent leased, Office Tower One was fully leased and occupied, and preliminary leases were being negotiated for space in Tower Two.

*The ICI Division's
Advisory Board in
session.*





The Marketplace complex - Carma's first entry into the United States commercial market.



An aerial view of Marketplace, and the surrounding Denver area.

Financial Review

1978 was an excellent year for Carma Developers Ltd. with revenues of \$104.6 million producing net income of \$21.9 million — both record levels of achievement. Strong earnings performances in recent years have enabled your Board of Directors to greatly increase the return to shareholders by way of dividends from 1.7 cents per share (restated) in 1974 to a current rate of 60 cents per share. It is our continued belief that a fair return to investors is essential in raising the tremendous amounts of funds required to carry on and expand the company's operations.

Funds generated from operations increased to \$37 million, an impressive 113 per cent increase over the \$17.4 million recorded in 1977. However, re-investment is not, of itself, sufficient to permit the company to grow at its full potential. Consequently, the company proceeded with two issues of public debentures — a \$15,000,000 Sinking Fund Debentures, Series A issue sold in July, 1978, and a

\$20,000,000 Sinking Fund Debentures, Series B issue offered through a Preliminary Prospectus filed in December, 1978. In addition, the line of credit with the company's bankers was again renegotiated at a reduced rate of interest and under more flexible terms and conditions.

As an indication of the growth and diversification of the company's operations, it is interesting to consider the book value of company assets. Of the \$281.3 million total, assets administered by the ICI Division reached \$29 million, up 462 per cent from the \$5.2 million held at the previous year-end, and total U.S. assets climbed to \$40 million U.S., up 233 per cent from the \$12 million U.S. on the books last year. Furthermore, as described in the notes to the financial statements, the Company's land and revenue properties had an appraised value of approximately \$223 million in excess of book value. By combining this powerful asset base with a strong working capital position, a healthy overall financial position and considerable unused credit capacity, the Company is well prepared financially to take advantage of new opportunities as they arise.

Five Year History

	<u>1978</u>	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>
Financial Highlights (thousands of dollars)					
Revenue	\$ 104,620	\$ 62,100	\$ 57,755	\$ 39,487	\$ 24,889
Net income	21,949	11,410	10,429	7,266	3,871
Funds from operations	36,996	17,357	10,173	10,920	4,959
Dividends	3,085	1,762	1,091	267	162
Per common share *					
Net Income - basic	\$ 1.95	\$ 1.04	\$ 0.96	\$ 0.70	\$ 0.40
- fully diluted	1.93	1.03	0.94	0.69	0.34
Funds from operations	3.31	1.58	0.93	1.06	0.51
Dividends48	0.16	0.10	0.025	0.017
Book value	5.58	3.88	3.02	2.18	1.51
Market price range	4.15-10.75	2.75-4.63	2.13-3.00	1.31-2.44	1.17-2.36
Other statistics (thousands of dollars except shares and employees)					
Land	\$ 159,854	\$ 127,599	\$ 94,091	\$ 74,779	\$ 49,175
Rental properties	28,984	5,157	—	—	—
Total assets	281,258	179,011	127,373	103,423	64,825
Appraisal increment	222,557	160,604	157,719	113,029	70,418
Long term debt	128,681	84,637	45,317	54,518	31,645
Shareholders' equity	66,495	47,798	33,054	23,282	14,672
Common shares outstanding *					
Actual	11,052,140	11,039,280	10,959,136	10,678,884	9,710,012
Weighted average	11,048,589	11,013,614	10,912,996	10,297,484	9,696,576
Number of employees	87	61	53	39	24

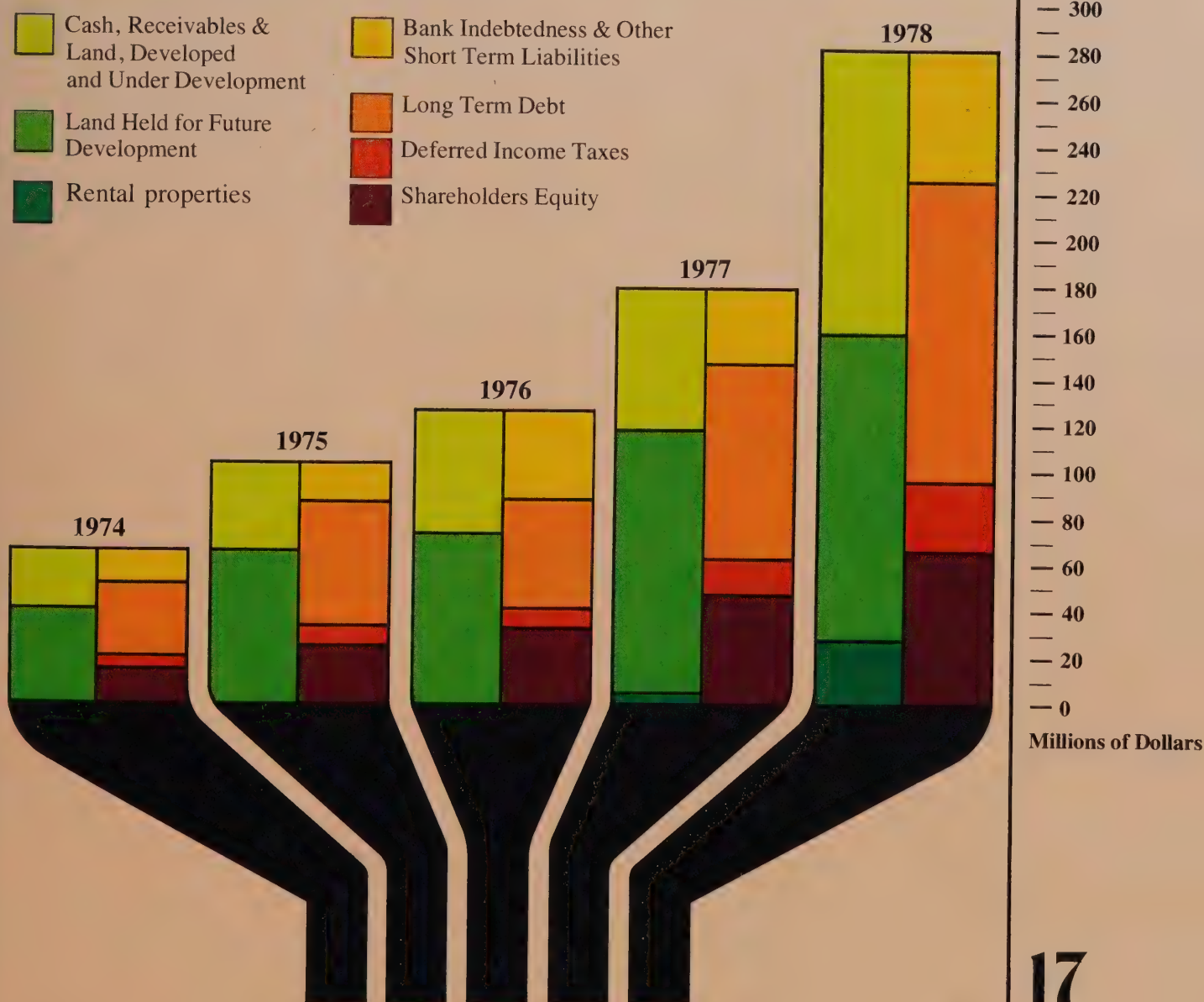
* adjusted for the 3-for-2 split in September 1975, the 2-for-1 split November 1976 and the 2-for-1 split in November 1978.

Total assets have increased by 57 per cent to \$281.3 million from \$179 million a year earlier. By component, the increases are cash, receivables and land, developed and under development up 102 per cent, land held for future development up 15 per cent, and rental properties up 462 per cent. Land held for future development now represents only 46 per cent of total assets, a seven year low, with offsetting increases in the other two asset categories.

Carma's assets are financed with a combination of short and long term debt, deferred taxes and shareholders' equity.

In the five year period ended December 30, 1978, the company has consistently maintained superior liquidity, with the ratio of cash, receivables and land, developed and under development to bank indebtedness and other short term liabilities averaging 1.88 times (December 30, 1978 - 2.12 times). Overall leverage has been moderate throughout, with the ratio of long term debt to equity averaging 1.92 times (December 30, 1978 - 1.94 times). When deferred income taxes are included in the equity base, the ratio of long term debt to equity is reduced to 1.35 times at December 30, 1978.

Composition of Assets, Debt & Equity



Auditors' Report

To the Shareholders
of Carma Developers Ltd.

We have examined the consolidated balance sheet of Carma Developers Ltd. and its subsidiary companies as at December 30, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Carma Developers Ltd. and its subsidiary companies as at December 30, 1978 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wingear Higgins Stearns & Co.

Chartered Accountants

CALGARY, Alberta
February 22, 1979

Consolidated Statement of Income

**CARMA
DEVELOPERS
LTD.
and Subsidiary
Companies**

Year ended
December 30, 1978.

	<u>1978</u>	<u>1977</u>
	(\$000's)	(\$000's)
Revenue		
Sale of residential land	\$ 64,008	\$ 39,199
Sale of commercial, high density and undeveloped acreage	34,756	18,602
Rental income	681	302
Interest and other	5,175	3,997
Total revenue	<u>104,620</u>	<u>62,100</u>
Expenses		
Cost of residential land sold	36,824	24,867
Cost of commercial, high density and undeveloped acreage sold	15,254	8,906
Rental operating costs	252	88
Administrative and general (Note 11)	4,844	2,917
Interest (Note 12)	5,253	3,640
Depreciation and amortization	446	350
Total Expenses	<u>62,873</u>	<u>40,768</u>
Net income before income taxes	41,747	21,332
Income taxes	19,798	9,922
Net income	<u>\$ 21,949</u>	<u>\$ 11,410</u>

Earnings per share (Note 15)

The accompanying notes form part of this statement.

Consolidated Statement of Retained Earnings

	<u>1978</u>	<u>1977</u>
	(\$000's)	(\$000's)
Balance, beginning of year	\$ 38,174	\$ 28,526
Net income	21,949	11,410
	60,123	39,936
Dividends paid	3,085	1,762
Balance, end of year (Note 16)	<u>\$ 57,038</u>	<u>\$ 38,174</u>

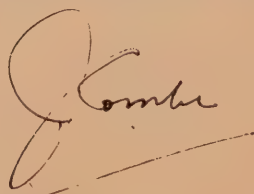
The accompanying notes form part of this statement.

Consolidated Balance Sheet

Year ended
December 30, 1978.

Assets	1978	1977
	(\$000's)	(\$000's)
Cash and deposit receipts	\$ 681	\$ 4,276
Marketable securities, at cost, market value \$9,043,000; 1977 — \$1,560,000	8,671	1,510
Receivables (Note 3)	80,046	37,951
Land, developed and under development (Note 4)	32,644	16,703
Land held for future development (Note 5)	127,210	110,896
Rental properties, at cost less accumulated depreciation \$65,000; 1977 — \$20,000	6,109	3,669
Rental properties under construction, at cost	22,875	1,488
Other assets, at cost less accumulated depreciation \$390,000; 1977 — \$307,000	1,077	1,115
Deferred financing costs less amortization \$596,000; 1977 — \$301,000	1,945	1,403

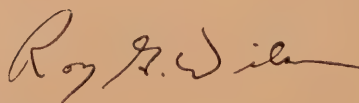
On Behalf of the Board



Director

\$281,258

\$179,011



Director

Liabilities

	<u>1978</u>	<u>1977</u>
	(\$000's)	(\$000's)
Bank indebtedness (Note 7)	\$ 18,972	\$ 6,987
Payables and accruals (Note 8)	33,076	21,475
Income taxes payable	—	1,569
Payable on land under development	5,453	2,565
Long term debt (Note 9)	128,681	84,637
Deferred income taxes	28,581	13,980
	<u>214,763</u>	<u>131,213</u>

Shareholders' Equity

Share capital (Note 10)		
Authorized — not to exceed \$52,000,000		
2,000,000 First preferred shares with a		
par value of \$20		
12,000,000 Class A convertible common shares		
without nominal or par value		
12,000,000 Class B convertible common shares		
without nominal or par value		
Issued and outstanding		
240,625 8¾% cumulative redeemable first		
preferred shares, Series A		
(1977 - 250,000)	4,813	5,000
3,921,988 Class A convertible common shares		
(1977 - 3,902,368) and		
7,130,152 Class B convertible common shares		
(1977 - 7,136,912)	4,644	4,624
Retained earnings (Note 16)	57,038	38,174
	<u>66,495</u>	<u>47,798</u>
	<u>\$281,258</u>	<u>\$179,011</u>

Consolidated Statement of Changes in Financial Position

Year ended
December 30, 1978.

	<u>1978</u>	<u>1977</u>
	(\$000's)	(\$000's)
Cash was provided by		
Operations		
Net income	\$21,949	\$11,410
Items not requiring the outlay of cash		
Depreciation and amortization	446	350
Deferred income taxes	<u>14,601</u>	<u>5,597</u>
	36,996	17,357
Increase in bank indebtedness	11,985	1,716
Increase in payables and accruals	6,708	—
Increase in mortgages and agreements payable on rental properties	21,285	3,478
Issue of secured debentures	—	15,000
Issue of sinking fund debentures	15,000	—
Issue of common shares	20	96
Issue of preferred shares	<u>—</u>	<u>5,000</u>
	91,994	42,647
Cash was used for		
Increase in receivables	42,095	8,898
Increase in marketable securities	7,161	1,510
Increase in investment in land and utility costs	14,712	8,757
Increase in rental properties	23,872	2,829
Increase in other assets	68	74
Increase in deferred financing costs	837	996
Decrease in trade and other payables	—	910
Decrease in income taxes payable	1,569	9,094
Decrease in term bank loans	—	2,629
Redemption of secured debentures	2,003	1,053
Redemption of preferred shares	187	—
Dividends paid	<u>3,085</u>	<u>1,762</u>
	95,589	38,512
Increase (decrease) in cash and deposit receipts	<u><u>\$(3,595)</u></u>	<u><u>\$ 4,135</u></u>

Notes to Consolidated Financial Statements

**CARMA
DEVELOPERS
LTD.
and Subsidiary
Companies**

Year ended
December 30, 1978.

1. Accounting policies

The Company's accounting policies are in accordance with the recommendations of the Canadian Institute of Chartered Accountants.

(a) Income recognition

(i) Land sales

Land sold is recognized as income for accounting purposes on the date on which title to the land passes on closing of the sale. Land sold by way of an agreement of purchase and sale is recognized as income when the agreement is duly executed and delivered. In both cases, income is recognized only when the Company has received a cash down payment of not less than 15 per cent.

(ii) Rental revenue

Rental revenue is recorded as it is earned, subject to the Company's capitalization of costs policy.

(b) Land costs

The company determines the cost of developed lots sold and unsold as follows:

- (i)** Undeveloped land cost is prorated on an acreage basis in each phase of a subdivision under development.
- (ii)** Servicing costs are estimated and prorated on a front footage basis in each phase of a subdivision under development.
- (iii)** Upon the substantial completion of each phase of a subdivision under development any difference between actual and estimated servicing costs is recognized by way of adjustment in the accounts.
- (iv)** Each phase of a subdivision under development is treated as a complete development area.

(c) Capitalization of costs

(i) Land held for future development

The Company capitalizes the following as part of the cost of land held for future development:

- (A)** Interest on agreements relating directly to the acquisition of land held for future development.
- (B)** Real estate taxes on land held for future development.
- (C)** Interest on general long term debt borrowing, deemed applicable to the Company's investment in land held for future development.
- (D)** Other direct costs applicable to land held for future development, including administrative overhead, commissions, legal fees, soil testing and engineering studies.

(ii) Rental properties and rental properties under construction

The Company follows the policy of capitalizing direct carrying costs such as interest, realty taxes and that portion of administrative expenses considered applicable to each rental project, net of revenues received, until an acceptable level of occupancy is achieved. Capitalization is subject to a reasonable time period based on the size and nature of each rental property.

(d) Deferred income taxes

The Company records income taxes on the tax allocation basis. Deferred income taxes result primarily from:

(i) Treatment of

(A) Utility costs expended on the development of subdivisions in relation to cost of sales recorded in the accounts.

(B) Certain carrying costs relating to land held for future development and rental properties.

(C) The deferred portion of financing costs.

(ii) The recognition of profits for income tax purposes from land sales when the balance of the purchase price is due after the end of the year.

(iii) Capital cost allowance claimed for income tax purposes in excess of depreciation recorded in the accounts.

(e) Depreciation and amortization

(i) The Company follows the sinking fund method of accounting for depreciation of rental properties. Under this method, buildings are depreciated over their estimated useful life in annual amounts increasing at the rate of 5% compounded annually. The estimated useful life is 50 years for office buildings and 30 - 45 years for shopping centres. Furniture and equipment is depreciated on a basis sufficient to amortize the cost over its estimated useful life.

(ii) The Company amortizes the costs of equity financing on a straight line basis over a ten year period. Costs of debt financing are amortized over the retractable term of the debt.

(iii) Initial leasing costs for rental properties are capitalized and depreciated with the building.

(f) Foreign exchange

Accounts in foreign currencies are translated to Canadian dollars at the rate of exchange at the balance sheet date. Unrealized gains are recorded as deferred income and unrealized losses in excess of unrealized gains are expensed. Realized gains or losses are reflected in the statement of income at the time they occur.

2. Principles of consolidation and accounting presentation

The consolidated financial statements include:

(a) The assets and liabilities and results of operations of Carma Developers Ltd. and its subsidiaries and,

(b) The proportionate share of assets, liabilities, income and expense and commitments of the Company's interest in unincorporated and incorporated joint ventures and partnerships. The Company has a 50 per cent interest in all unincorporated joint ventures and partnerships to which it is a party.

3. Receivables

	<u>1978</u>	<u>1977</u>
	(\$000's)	(\$000's)
Trade, secured by agreements of purchase and sale bearing interest at varying rates up to 13½% (1977 - 12%) and maturing within one year	\$45,416	\$25,444
Agreements of purchase and sale on commercial, high density and undeveloped acreage bearing interest at varying rates up to bank prime plus 3% (1977 - 12%)	28,522	9,737
Accrued interest and other	<u>6,108</u>	<u>2,770</u>
	<u>\$80,046</u>	<u>\$37,951</u>

The receivables are due as follows:

1979	\$60,334
1980	4,413
1981	2,730
1982	3,060
1983	2,429
Subsequent to December 30, 1983	<u>7,080</u>
	<u>\$80,046</u>

4. Land, developed and under development

	<u>1978</u>	<u>1977</u>
	(\$000's)	(\$000's)
Land, developed and under development, at total estimated cost	\$ 39,919	\$ 19,853
Deduct: Estimated costs to complete	<u>7,275</u>	<u>3,150</u>
Land, developed and under development, at cost to date	<u>\$ 32,644</u>	<u>\$ 16,703</u>

5. Land held for future development

Land held for future development, including option deposits, is stated at the lower of cost and net realizable value, and includes the following:

	<u>1978</u>	<u>1977</u>
	(\$000's)	(\$000's)
Land and option deposits	\$110,009	\$ 96,378
Interest	8,214	6,703
Development costs	6,406	5,794
Taxes, professional fees and commissions	1,572	1,400
General and administrative expenses	<u>1,009</u>	<u>621</u>
	<u>\$127,210</u>	<u>\$110,896</u>

To acquire the land under option, an additional expenditure of \$20,156,000 (1977 - \$12,864,000) would be required.

During the year \$5,900,000 (1977 - \$4,288,000) was charged to land held for future development for interest, taxes, professional fees and commissions and general and administrative expenses.

6. Appraisal

The Company's land, rental properties and rental properties under construction were appraised as at December 30, 1978 and December 30, 1977 by J. C. Leslie on behalf of J.C. Leslie Appraisals Ltd., Appraisers and Real Estate Consultants. The results of these appraisals are as follows:

	1978			1977	
	Land, developed and under development	Land held for future development	Rental properties and rental properties under construction	Total	Total
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Appraised value	\$67,356	\$325,335	\$39,729	\$432,420	\$303,580
Book value per balance sheet	32,644	127,210	28,984	188,838	132,756
Adjustments to arrive at a basis consistent with the appraisal					
(a) Costs to complete subdivisions under development	7,275			7,275	3,150
(b) Costs to exercise options on land		20,156		20,156	12,864
(c) Development costs to date on land appraised as undeveloped		(6,406)		(6,406)	(5,794)
Subtotal	39,919	140,960	28,984	209,863	142,976
Excess of appraised value over total cost thereof	\$27,437	\$184,375	\$10,745	\$222,557	\$160,604

The appraised value does not make any allowance for selling and administrative expenses or income taxes related to the sale of the appraised land or rental properties.

The appraisal is the sum total of the individual appraisals of the individual properties. No assumptions have been made with respect to the bulk sale of the entire holdings or groups of properties.

7. Bank indebtedness

The bank indebtedness is represented by operating bank loans of Carma Developers Ltd. and a subsidiary company. The bank indebtedness of Carma Developers Ltd. is secured by a general assignment of receivables and a first floating charge demand debenture. The bank indebtedness of the subsidiary company is secured by a general assignment of receivables and demand debentures, all as related to the subsidiary.

8. Payables and accruals

	1978	1977
	(\$000's)	(\$000's)
Trade and other payables	\$ 17,924	\$ 11,216
Accrued development costs on land sold	15,152	10,259
	<u>\$ 33,076</u>	<u>\$ 21,475</u>

9. Long term debt	1978	1977
	(\$000's)	(\$000's)
Payable on land held for future development		
Agreements of purchase and sale and mortgages payable at interest rates varying up to bank prime plus 2% (1977 - 13½%)	\$ 66,877	\$56,569
Mortgages payable on rental properties		
The mortgages bear interest at varying rates to 12½% (1977 - 11%)	6,355	3,095
Agreements payable on rental properties	17,862	383
11.5% Secured Debentures, Series A		
The debentures, which mature in 1996, are retractable at the holders' option on December 15, 1981, and are secured by a fixed and specific mortgage, pledge and charge of certain specified assets, and a floating charge upon the undertaking and all other property and assets of the Company subject to certain allowable prior charges.	8,701	9,447
11¼% Secured Debentures, Series B		
The debentures, which mature in 1997, are retractable at the holder's option on February 15, 1985, and are secured by a fixed and specific mortgage, pledge and charge of certain specified assets, and a floating charge upon the undertaking and all other property and assets of the Company, subject to certain allowable prior charges.	13,243	14,500
11¼% Sinking Fund Debentures, Series A		
The debentures, which mature in 1998, are retractable at the holder's option on April 10, 1984, and are secured by a floating charge upon the undertaking and all other property and assets of the Company, subject to certain allowable prior charges.	15,000	—
8% Subordinated Debentures, Series C		
The Series C debentures, maturing March 1, 1979, are secured by a floating charge on all the assets of the Company which ranks subsequent to the security of the 11.5% Secured Debentures, Series A, the 11¼% Secured Debentures, Series B and the 11¼% Sinking Fund Debentures, Series A as described in this note.	643	643
	\$128,681	\$84,637

Principal payments due on long term debt are as follows:

	1978
	(\$000's)
1979	\$ 18,783
1980	12,146
1981	15,313
1982	9,008
1983	7,570
Subsequent to December 30, 1983	65,861
	\$128,681

Long term debt includes \$24,800,000 (1977 - \$7,173,000) repayable in U.S. dollars.

10. Share capital

(a) At a Special General Meeting of the Shareholders held November 21, 1978, the shareholders approved an increase in the authorized capital of the Company from 6,000,000 Class A convertible common shares without nominal or par value and 6,000,000 Class B convertible common shares without nominal or par value to 12,000,000 Class A convertible common shares without nominal or par value and 12,000,000 Class B convertible common shares without nominal or par value. The Class A and B shares are fully interchangeable.

At the same meeting the shareholders approved a two-for-one share split for all issued shares of the Company.

(b) During the year 12,860 common shares (1977 - 80,144) were issued pursuant to the Company's stock option plan for \$20,000 (1977 - \$96,000).

(c) The Company has a stock option plan under which options on 73,540 common shares are outstanding as at December 30, 1978 (1977 - 97,440). These options have been granted to senior officers and employees and are exercisable to July 31, 1981 at \$1.50 per share.

11. Administrative and general

	1978	1977
	(\$000's)	(\$000's)
Administrative and general expenses incurred	\$6,512	\$4,014
Add:		
Incidental revenue credited to land held for future development	107	348
	<u>6,619</u>	<u>4,362</u>
Less:		
Amounts recovered from joint venture participants	961	527
Amounts capitalized to land for future development	814	918
	<u>1,775</u>	<u>1,445</u>
Administrative and general expense	<u>\$4,844</u>	<u>\$2,917</u>

12. Interest

	1978	1977
	(\$000's)	(\$000's)
Interest on long term debt and bank demand loans	\$9,883	\$7,298
Less:		
Interest applicable to land held for future development	4,448	3,472
Interest applicable to rental properties under construction	182	186
	<u>4,630</u>	<u>3,658</u>
Interest expense	<u>\$5,253</u>	<u>\$3,640</u>
Summary		
Interest related to land development operations	\$5,102	\$3,487
Interest related to completed rental properties	151	153
	<u>\$5,253</u>	<u>\$3,640</u>

13. Remuneration of directors and senior officers

The aggregate direct remuneration of directors and senior officers amounted to \$1,060,000 (1977 - \$460,000) which amount included \$49,000 (1977 - \$45,000) in directors' fees.

14. Contingent liabilities and commitments

The Company is committed to spend an estimated \$7,275,000 (1977 - \$3,150,000) to complete subdivisions under development (Note 4). These commitments arise from development agreements entered into with municipal governments.

The Company is contingently liable with respect to letters of guarantee issued by chartered banks totalling \$6,005,000 (1977 - \$2,404,000). The Company has also guaranteed a debenture payable of an incorporated joint venture up to an amount of \$957,000 (1977 - \$729,000).

15. Earnings per share

	1978	1977
Earnings per share	\$1.95	\$1.04
Fully diluted earnings per share	\$1.93	\$1.03

Earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the year.

16. Dividend restrictions

- a) Under the terms of the trust indenture securing the 11¼% Sinking Fund Debentures, Series A, dividends on common shares shall not be declared or paid if after such payment the amount of consolidated shareholders' equity would be less than \$44,000,000. (Note 19)
- b) Under the Anti-Inflation Act, the Company was restricted from paying dividends in excess of \$0.24 per share in the 12 month period ended October 31, 1978.

17. Joint ventures

The consolidated financial statements include the Company's proportionate share of the accounts of incorporated and unincorporated joint ventures and partnerships. A summary of these amounts is as follows:

	1978	1977
	(\$000's)	(\$000's)
Assets	\$71,639	\$42,014
Liabilities	31,949	15,074
Revenue	18,866	15,201
Expenses	10,814	5,558

18. Government regulations

Effective October 14, 1975, the Federal Government introduced the Anti-Inflation Act which provided for the restraint of profit margins, prices, compensation to employees and dividends. Whether or not the Company is legally subject to mandatory compliance with the Anti-Inflation Act, the Directors have stated that the Company will abide by the spirit of the legislation. As a result, the Company's ability to maintain or increase prices, profit margins and compensation may have been restricted during the period in which such legislation was in effect. The Act and regulations expired at the end of 1978.

The Company has made calculations necessary to determine the effect of the provisions of the Anti-Inflation Act on its operations. On the basis of these calculations, management has concluded that it is in compliance with the Act for 1978 and 1977. Dividend restrictions are explained in Note 16(b).

19. Subsequent events

Pursuant to an Underwriting Agreement dated January 23, 1979, the Company agreed to issue and sell \$20,000,000 principal amount 12% Sinking Fund Debentures, Series B to mature in 1999 and to be retractable at the holder's option on February 15, 1987. Under the terms of the trust indenture securing the 12% Sinking Fund Debentures, Series B the restriction on shareholders' equity distributions referred to in Note 16(a) was increased from \$44,000,000 to \$53,000,000.

Land Holdings

Carma's land bank activities since 1972 are summarized as follows:

	Land Controlled at Beginning of the Year (acres)	Land Acquired During the Year (acres)	Land Disposed of During the Year (acres)	Land Controlled at End of the Year (acres)
1972	4,504	2,593	982	6,115
1973	6,115	5,421	599	10,937
1974	10,937	1,663	1,797	10,803
1975	10,803	1,953	646	12,110
1976	12,110	1,365	838	12,637
1977	12,637	3,504	1,146	14,995
1978	14,995	1,689	2,750	13,934

At December 30, 1978 land controlled by Carma was located in the following regions:

	Land Developed and Under Development (acres)	Land Held for Future Development (acres)	Total Land Controlled (acres)
Calgary, Alta.	268	6,100	6,368
Edmonton, Alta.	107	3,602	3,709
Hamilton, Mississauga, Oakville, Ont.	102	241	343
Prince George, B.C.	—	787	787
Vancouver, B.C.	30	486	516
Sacramento, Calif.	—	177	177
Houston, Texas	180	1,529	1,709
Seattle, Wash.	—	325	325
	<u>687</u>	<u>13,247</u>	<u>13,934</u>

Illustrative maps on the following pages depict the extent of the land holdings which Carma manages in its centres of active operation. Those lands where Carma has only an interest, and is not the operator, are omitted from the maps but are included in the preceding tables of acreages. The grid system used on the two Alberta maps are one mile squares to indicate the relative size of the land or communities involved.

Carma Lot Sales

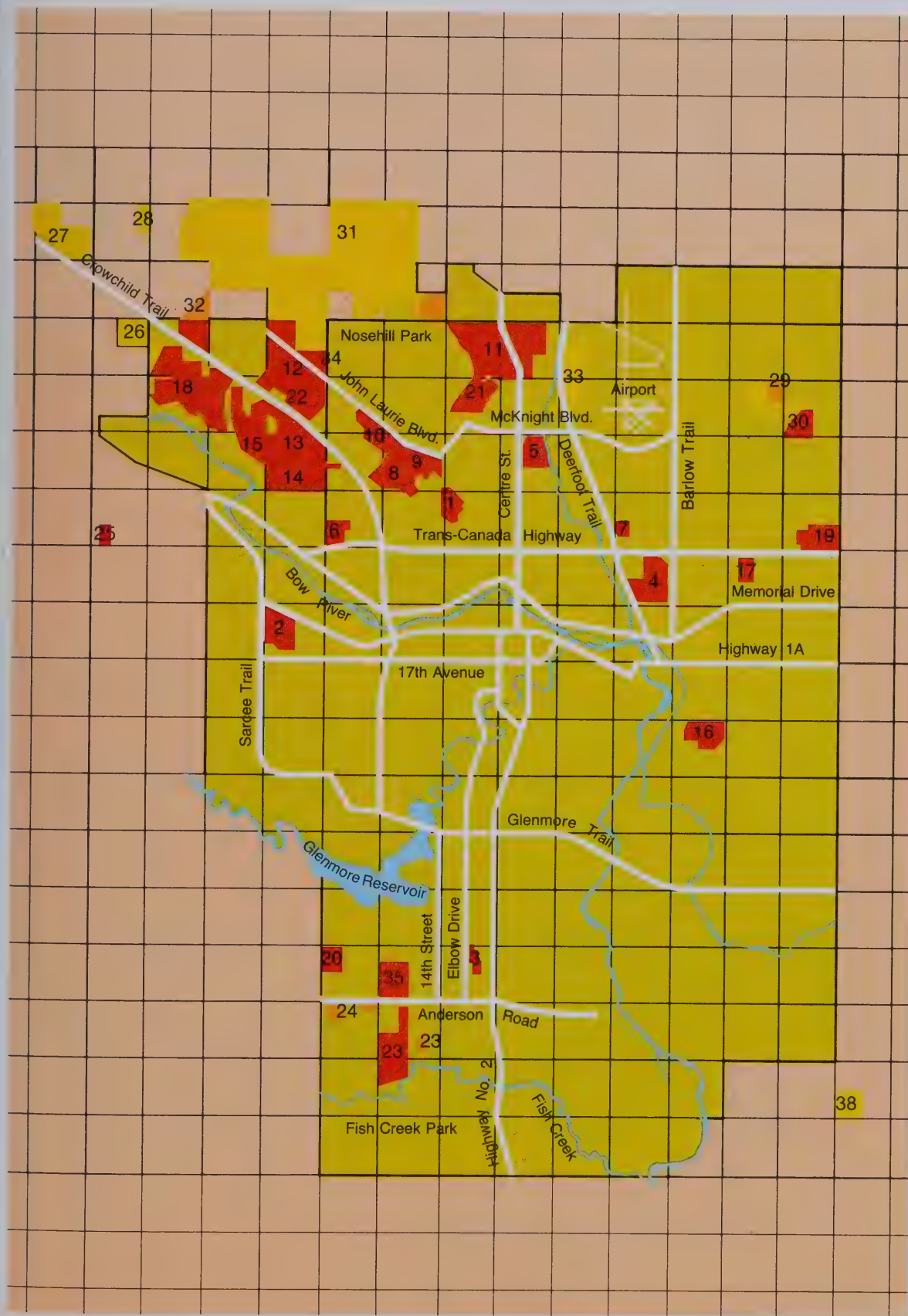
Residential (low density) lot sales in 1978 were recorded in the following communities:

	No. of Lots
Calgary: Crowchild Ranch	100
Dalhousie	3
Edgemont	493
Falconridge	146*
The Woodlands	107*

Edmonton: Crawford Plains	487
Clareview	299
Pineview (Fort Sask.)	189
Woodlands (St. Albert)	187*
Hamilton: Albion Estates	15
Houston: Concord Colony	94
Vancouver: Cannery Place	21
Chilcotin Country ...	16
Compton Heath	14
Glen Robertson	18
	<u>2,189</u>

* Carma's net share of joint venture projects.

Calgary





- Land being held for future development.
- Communities presently being developed and marketed.
- Communities that have been developed since the incorporation of the company.


1. Rosemont
2. Westgate
3. Southwood
4. Mayland Heights
5. Greenview
6. University Heights
7. Vista Heights
8. Charleswood
9. Foothills Estates
10. Charleswood Heights
11. Huntington Hills
12. Dalhousie
13. Varsity Acres
14. Varsity Village
15. Varsity Estates
- *16. Doverglen
- *17. Marlborough West
18. Silver Springs
- *19. Pineridge
- *20. Oakridge - Cedarbrae
21. West Thorncliffe
- *22. South Dalhousie
- *23. The Woodlands
24. Woodbine
25. Heritage Woods
26. Scenic Acres
- *27. Rockyview
28. Rockyview
29. Castleridge
30. Falconridge
31. Crowchild and Simon's Valley
32. Crowchild Ranch
- †33. Deerfoot Business Centre
34. Edgemont
- *35. Braeside Estates
- *36. Bearspaw Heights
- 37. Okotoks
38. South East Calgary

* Joint Venture
 † Partnership
 • Outside map area

Edmonton

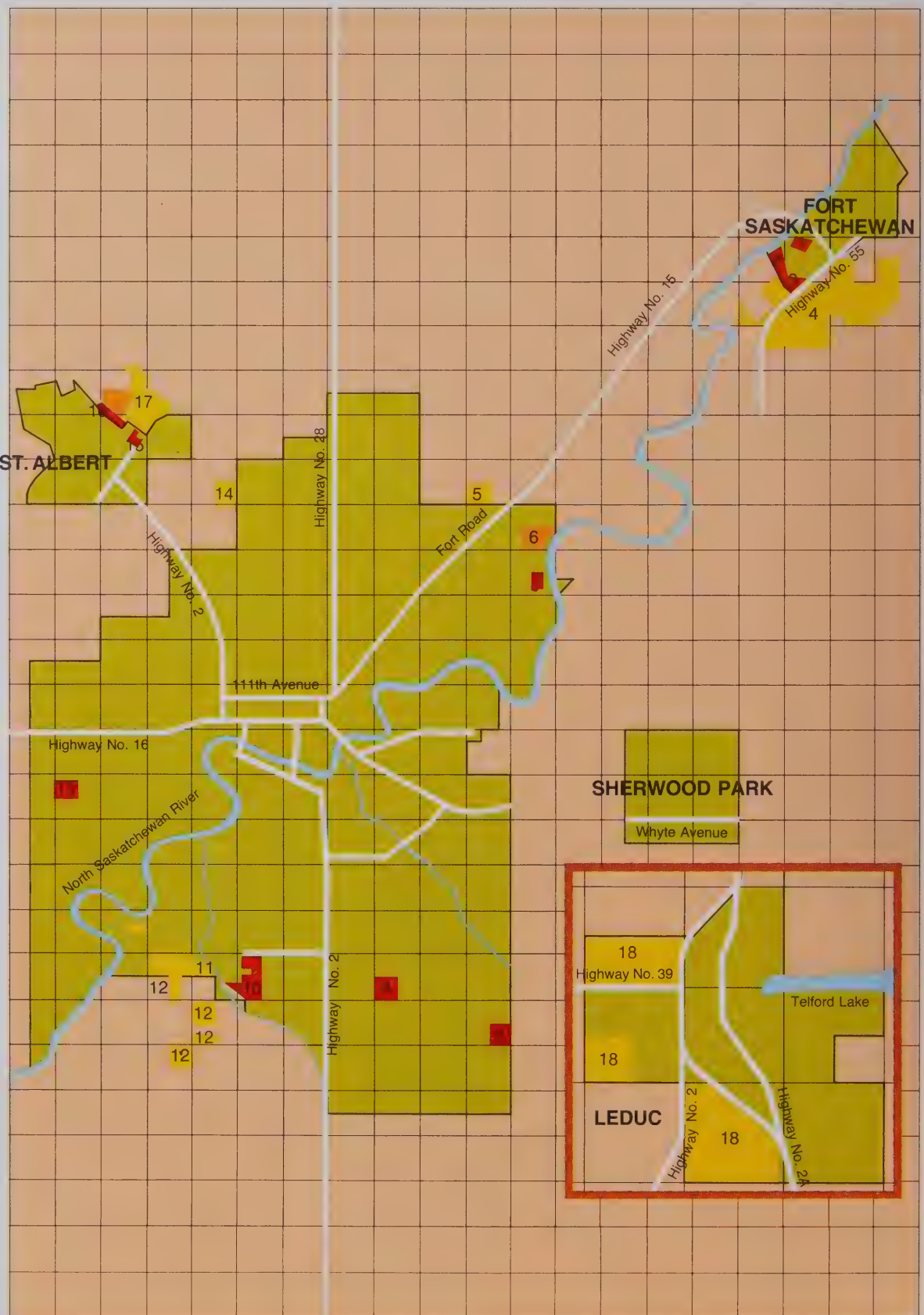
Land being held for future development. 

Communities presently being developed and marketed. 

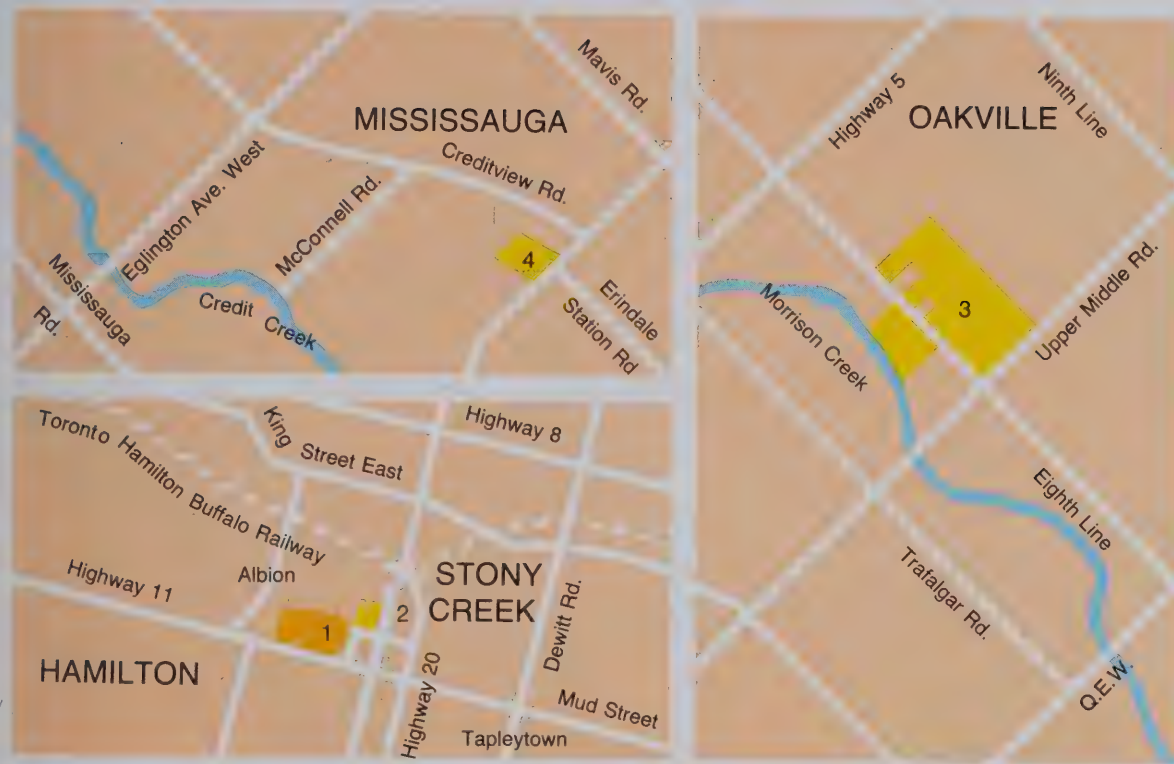
Communities that have been developed since the incorporation of the company. 

- * 1. Block W. - Pineview
- * 2. Chamberlain 5 and 6 - Pineview
- * 3. McNicol 3 - Pineview
- * 4. Fort Saskatchewan Assembly
- 5. N.E. Edmonton
- * 6. Clareview - Neighbourhoods 4 and 5
- * 7. Clareview - Neighbourhood 3 South
- 8. Meyonohk
- 9. Millwoods
- 10. Blue Quill
- * 11. Riverbend
- 12. Riverbend-Terwillegar
- 13. Belmead
- 14. N.W. Edmonton
- 15. Forest Lawn
- †16. Braeside 1 and 11
- †17. Woodlands
- 18. Leduc

* Joint Ownership
† Joint Venture



Ontario



- Land being held for future development.
- Communities presently being developed and marketed.

1. Albion Estates
2. Nash Heights
3. Iroquois Ridge
- *4. Mississauga

* Joint Venture


Seattle





- Communities presently being developed and marketed.

1. Alderbrook
2. Heather Hills
3. Inglewood Glen

Greater Vancouver

Land being held for future development. 

Communities presently being developed and marketed. 

Communities that have been developed since the incorporation of the company. 


- 1A. Williams Road
- 1. Bonavista
- 2. Cannery Place
- †3. Tiffany Estates
- 4. Canterbury Heights Extension
- 5. Canterbury Heights
- 6. Sunshine Woods
- 7. Parkdale
- 8. Dover Estates
- 9. Somerset
- 10. Carleton Place
- 11. Edenridge
- 12. Cloverdale Heights
- 13. Cloverdale
- 14. Glen Robertson
- 15. Newton Glen North
- 16. Newton Glen South
- 17. Guildford
- 18. South Surrey
- 19. South Surrey
- 20. Wildwood Park
- 21. Chilcotin Country
- 22. The Orchard
- 23. Compton Heath
- 24. Maple Ridge
- 25. Maple Ridge
- 26. Maple Ridge
- †27. Mountain Meadows
- †28. The Villages

†Joint Venture



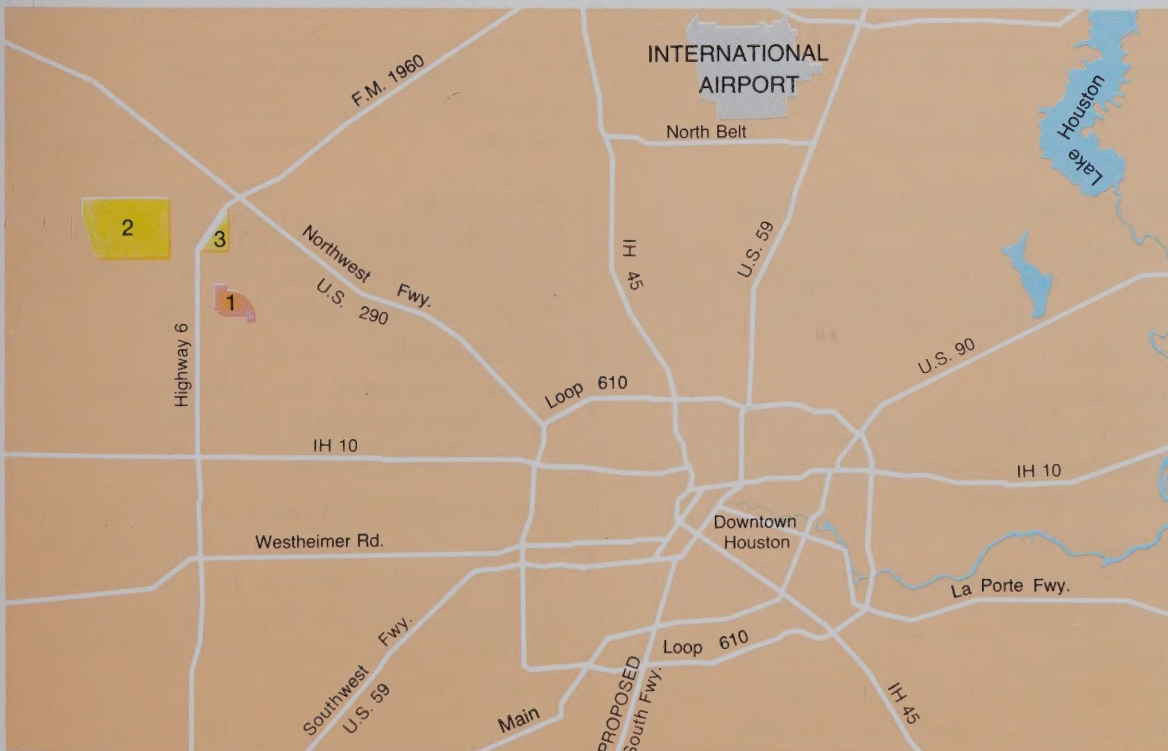
Sacramento





 Communities presently being developed and marketed.

1. Meadow Wood
2. American River Canyon.

Houston



 Land being held for future development.

 Communities presently being developed and marketed.

1. Concord, Yorktown and Jamestown Colony
2. Frenley tract
3. Copperfield tract

Corporate Directory

Directors and Officers

Principal Occupations

Howard Ross*	Chairman of the Board Director	President Britannia Homes Ltd.
Tony Usselman*†	Chairman-Elect of the Board Director	President, Anton Developments Ltd.
Joe Combe*†	Vice-Chairman of the Board Chief Executive Officer Director	Executive of the Company President, Ebmoc Management Ltd.
Larry Bourne‡	Director	President, Van-Bourne Homes Ltd.
Stan Hooper†	Director	President, Stanton Developments Ltd.
Rudy Janzen*	Executive Vice-President Director	Executive of the Company
Vern Mross	Director	Executive, Nu-West Development Corporation Ltd.
Ralph Scurfield*‡	Director	President, Nu-West Development Corporation Ltd.
Klaus Springer‡	Director	President, Springer Development Corporation Ltd.
Scott Taylor†	Director	Vice-President, Pembroke Management Ltd.
Roy Wilson*‡	President Director	President of the Company
Barry Wong	Vice-President, ICI Division	Executive of the Company
Dick Owen	Vice-President, Finance Chief Financial Officer	Executive of the Company
Samuel Travis	Secretary and General Counsel	Executive of the Company

* member executive committee

† member audit committee

‡ member compensation committee

Divisional Advisory Boards

Calgary:

Carl Cheverie, Ben Gross, Al Hill, Tom Hughes, Al MacLean, Mike Ross, Eck Spindler.

Edmonton:

Eric Albrecht, Walter Braul, Art Fleck, Stan Hooper, Dave Jenkins, Rudy Koop, Gerard Lemieux

Hamilton:

Don Ennis, Gordon James, Eric Johnson, Jay Robinson.

Houston:

James Culp, Dick Hansen, Will Kennard, Rick Leland, Greg Martin, Charles Mustachia

Vancouver:

Doug Bigelow, Larry Bourne, Eugene Harder, Ernie Hnatiuk, Vic Hoing, Peter Hyndman, Mitts Sakai, Vern Sparks.

ICI Division:

Lorne Braithwaite, Joe Finocchio, Ken Ford, Peter Hyndman, John Shields, Scott Taylor, Barry Wong.

Howard Ross, Chairman of the Board; Joe Combe, Vice-Chairman of the Board and Chief Executive Officer; Roy Wilson, President; and Rudy Janzen, Executive Vice-President, are voting members of all advisory boards.

Builder/Shareholders

Calgary:

A. B. Custom Designers Ltd.; Art Rempel Homes Ltd.; B. & H. Homes (Calgary) Ltd.; Bamlett Construction Ltd.; Britannia Homes Ltd.; Built-Rite Developers Ltd.; Dania Realty Ltd.; Engineered Homes Limited; F. Kuran Construction Co. Ltd.; G. Janssen Homes Ltd.; G. W. Boldt Homes Ltd.; Gordon J. Hewitt; J. K. Built Homes Ltd.; John Penner Construction Co. Ltd.; Koltes Construction Limited; Lars & Norman Kvellestad; Lietz Construction (1977) Ltd.; Master Craft Homes Ltd.; Mizera Construction Co. Ltd.; Neufeld Construction Ltd.; Nu-West Development Corporation Ltd.; Otto Bartel Homes Ltd.; Palace Builders Ltd.; Palace Homes Ltd.; Paragon Homes Limited; Park Place Projections Ltd.; Qualico Developments Ltd.; R. Wiebe Construction Limited; Rempel Construction Company Ltd.; Rosemont Rental Developments Ltd.; Semon & Lucas Construction Calgary Ltd.; Spindler Construction Ltd.; Spindler Holdings Ltd.; Springer Development Corporation Ltd.; Sterling Real Estate (Calgary) Ltd.; V. R. Homes Limited; Wm. Lange Construction Ltd.

Edmonton:

Ace Lange Construction Ltd.; Alldritt Development Limited; Amrin Investments Ltd.; Bestlands Development (Alberta) Ltd.; Boychuk Construction Ltd.; Britannia Homes Ltd.; Built-Rite Developers Ltd.; Cairns Homes Limited; Candlelight Homes Ltd.; Delwood Construction & Development Ltd.; Ekert & Smith Construction Ltd.; Engineered Homes Limited; The H.A. Roberts Group Ltd.; J. Schouten & Sons Contractors Ltd.; Leamac Industrial Developments Ltd.; Leemar Developments Ltd.; Marlo Homes Limited; Nu-West Development Corporation Ltd.; Oakland Homes Ltd.; Perry Homes of Permanence Ltd.; Qualico Developments Ltd.; S. C. Anderson Developments Ltd.; Schaaf Bros. Construction Ltd.; Skylark Construction Ltd.; Springer Development Corporation Ltd.; Stanton Developments Ltd.; Vaage Construction Ltd.; Wayne Homes Ltd.

Hamilton:

Abbotsford Homes Limited; Atinas Homes Ltd.; Brian Robinson Construction Limited; Cochren Bros. Limited; Cohoe Contracting Limited; Davis Construction; Davis Custom Homes Limited; Edmac Developments Limited; Engineered Homes Limited; George Tkachuk and Son Construction Limited; Gracita Investments Limited; Hiljay Homes Limited; Ivan P. McKenna Construction Ltd.; J. Kern Custom Homes Ltd.; James Robinson Construction Limited; Jay Robinson Construction Limited; John A. McKenna Construction Limited; John Bruce Robinson Construction Limited; John E. Robinson Construction Limited; Mayotte Limited; Nu-West Development Corporation Ltd.; Razio Construction Limited; Southward Developments Limited; 201 Holdings Limited.

Houston:

Crafco Homes, Inc.; Cribbs Construction, Inc.; Fred Bischoff Enterprises, Inc.; George MacKenney Builders Inc.; J. Culp, Inc.; J. & E. Homes, Inc.; Klassic Homes, Inc.; Kramer Enterprises, Inc.; Nu-West Development Corporation Ltd.; Properties Plus, Inc.; Spindler Construction Ltd.

Vancouver:

i) Vancouver Centre.

A. B. Custom Designers Ltd.; Al's Construction Ltd.; Birchwood Development Company; L. R. Bourne; Dovelert Construction Ltd.; Engineered Homes Limited; Fairwood Construction Ltd.; G. E. Lentsch Construction Ltd.; Island-View Construction Ltd.; Neal's Construction Ltd.; Nu-West Development Corporation Ltd.; Qualico Developments Ltd.; Rainbow Construction Co. Ltd.; Reinders-Watts Developments Ltd.; G. W. Rempel; Schmid Brothers Construction Ltd.; Springer Construction (Vancouver) Ltd.; Sundel Developments Ltd.; W. G. Henze Construction Ltd.

ii) Maple Ridge

Allankay Construction Ltd.; Brownjohn Homes Ltd.; R. J. Cooke; Engineered Homes Limited; G. Peterson Const.; Golden Ears Construction Ltd.; George Jacobsen; Koffmar Construction Ltd.; Neal's Construction Ltd.; Nu-West Development Corporation Ltd.; Palisade Developments Ltd.; Pearce Construction Company (1971) Ltd.; R. G. C. Drywall (1976) Ltd.; Schild Construction Ltd.; Schmid Brothers Construction Ltd.; Sidney Devries Cement Contracting Ltd.; V. Sparks; Springer Construction (Vancouver) Ltd.; W. E. Industries Ltd.

iii) Sur-Del

Allankay Construction Ltd.; L. R. Bourne; Bracco Homes Ltd.; E. R. McDonald Ltd.; Engineered Homes Limited; G. Peterson Const.; Gerhard Bartel Building Contractor Ltd.; E. B. Helmer; Hoing Construction Ltd.; J. and M. Home Improvements Ltd.; J. Bright Holdings Ltd.; George Jacobsen; John Penner Construction Co. Ltd.; Alvin Letkeman; C. Merriam; Neal's Construction Ltd.; Nu-West Development Corporation Ltd.; Plaza Construction Ltd.; Qualico Developments Ltd.; Ridgewood Construction Ltd.; Schmid Brothers Construction Ltd.; Sidney Devries Cement Contracting Ltd.; Springer Construction (Vancouver) Ltd.; Sundel Developments Ltd.; V. Ozols Construction Ltd.; Walter's Homes.

